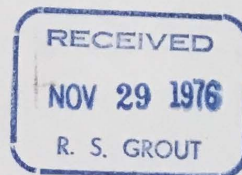


File

MEMORANDUM

MARKETING DEPARTMENT



November 29, 1976

ARCTIC REVIEW COMMITTEE

Messrs. R. S. Grout
H. B. McGonigal
C. E. Overturf
B. T. Reilly
L. C. Sevick
R. S. Vincent

This is to advise that a meeting of the Arctic Review Committee will be held December 2, 1976, at 2:00 p.m. in Room 1711-C to discuss the co-ordination of the following topics:

- MacKenzie Corridor Strategy Study
- Taglu Condensate Plant
- Norman Wells Refinery Strategy
- Possible purchase of products from Gulf's Parson Lakes Condensate plant
- Natural Gas Penetration
- Crude Topping Plant in the Delta.

Mr. J. R. Murdoch will present an overview of the status of the MacKenzie Corridor Strategy Study.

R. F. Roblin
Secretary

RFR:mf

c.c. - J. R. Murdoch

Committees

- Arctic Corporate Committee
- Arctic Review Committee
- Mackenzie Valley Corridor Work Group / Steering Committee

Current Issues

- C A & P Z petroleum products requirements in construction
- Other base petroleum products business in the Arctic.
- Tagher condensate - Turbo fuel, Diesel Fuel
- Norman Wells, HFO
- Possible purchase of products from Gulf, Parsons Lake.
- Natural Gas Penetration Study.

2 PM Thurs - Arctic Rev.

Because of your interest and involvement in the Arctic, your name has been placed on the mailing list to receive the minutes of the Arctic Review Committee. Minutes of the first meeting involving Arctic profitability are attached.

If, in the future, you have subjects that you would like to have reviewed by the Committee, please advise either the Chairman or the Secretary.

Yours very truly,

R. F. Roblin

R. F. Roblin
Secretary

RFR/sb
Attachs.

cc: Messrs. G. H. Jenkins
C. E. Overbury
R. G. Pfister

G. H. Thomson
R. G. Wilson

PROPRIETARY

Roly Horsfield

Labrador coast.

Yukon -

Co-ordination with white

will be to see that all projects in the Arctic of importance to more than one function are reviewed prior to making commitments. The attached memo from Mr. W. A. West to Mr. D. D. Lougheed describes the responsibilities of the Committee in greater detail.

Because of your interest and involvement in the Arctic, your name has been placed on the mailing list to receive the minutes of the Arctic Review Committee. Minutes of the first meeting involving Arctic profitability are attached.

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Yours very truly,

R. F. Roblin /sb

R. F. Roblin
Secretary

RFR/sb
Attachs.



IMPERIAL OIL LIMITED

MARKETING DEPARTMENT

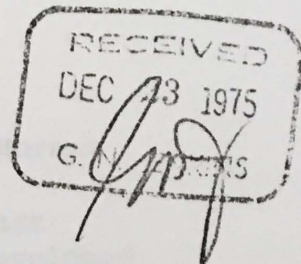
Vice President & General Manager
WILLIAM A. WEST

Assistant General Managers
CHARLES A. HAYLES
GEORGE N. JENKINS
GEORGE R. WISENER

111 St. Clair Avenue West Toronto, Canada M5W 1K3

December 22, 1975

Arctic Review Committee



Messrs. N.S.J. Bloomer
G. W. Carter
G. A. Fullerton
G. L. Haight
P. G. Hall
R. Horsfield
H. G. Jarvis
C. E. Langston

P. J. Levins
G. R. McLellan
D. M. Penrose
V. Sirois
J. C. Underhill
W. A. West
G. K. Whynot
R. A. Wilson

Dear Sirs:

An Arctic Review Committee has been formed at the request of Central Office functional management. Its primary responsibility will be to see that all projects in the Arctic of importance to more than one function are reviewed prior to making commitments. The attached memo from Mr. W. A. West to Mr. D. D. Loughheed describes the responsibilities of the Committee in greater detail.

Because of your interest and involvement in the Arctic, your name has been placed on the mailing list to receive the minutes of the Arctic Review Committee. Minutes of the first meeting involving Arctic profitability are attached.

If, in the future, you have subjects that you would like to have reviewed by the Committee, please advise either the Chairman or the Secretary.

Yours very truly,

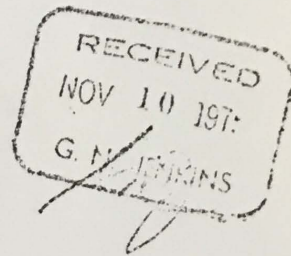
R. F. Roblin
Secretary

RFR/sb
Attachs.

cc: Messrs. G. N. Jenkins ✓
C. E. Overturf
R. O. Pfister

G. H. Thomson
R. G. Wilson

November 6, 1975

ARCTIC REVIEW COMMITTEE

Mr. D. D. Lougheed,
Building.

Your memo of September 5, 1975 on the Norman Wells Pricing agreement struck a responsive chord within the Marketing, Logistics and Production Departments. Over the past two months, the management of these three departments have developed what we feel is an appropriate devise for achieving complete integration and communication, as well as increased management participation, in all future precedent-setting decisions.

To meet this need we are recommending the establishment of the Arctic Review Committee with representation from the principal functions involved in the north. The following membership is proposed:

Arctic Review Committee

G. N. Jenkins,	Marketing,	Chairman,
C. E. Overturf	Comptroller's,	
G. H. Thomson	Logistics,	
R. G. Wilson	Production,	
R. F. Roblin	Marketing,	Secretary.

It would be the responsibility of this committee to consider projects and strategies which involve or affect several or all functions. The committee would prepare recommendations and ensure that all interested and involved functions were made aware of the planned action before seeking formal approval of the appropriate management body. However, there would be no involvement in the operation or strategy of any individual department where there were not inter-departmental implications.

Committee members would assume responsibility for communicating with their own functional management. In addition, we would plan to circulate minutes for possible comments prior to final approval or commitment on the item.

Mailing list for the minutes is attached.

PROPRIETARY

Central Office

December 2, 1976.

- 2 -

In consideration of any individual project, participation of appropriate members of the involved departments would be requested on an ad hoc basis. Some of the items which would receive the immediate attention of the committee are the following:

1. Arctic petroleum product profitability report to PPMG,
2. Norman Wells strategy study including price plans
3. Renegotiation of Churchill lease agreement
4. Renegotiation of Resolute lease agreement
5. Renegotiation of Goose Bay lease agreement
6. Northern Canada Power Corporation contract negotiation ✓
7. Western Arctic Natural Gas penetration study, etc. ✓

We have reviewed this approach with Roly Horsfield and he is in complete agreement with it.

Bill
W. A. WEST

c.c. Mr. V. Sirois,
Mr. G. R. McLellan,
Mr. G. L. Haight,
Mr. G. N. Jenkins,
Mr. R. Horsfield.

MAILING LIST FOR MINUTES OF ARCTIC REVIEW COMMITTEE MEETINGS

MEMBERS

Mr. G. N. Jenkins (Chairman)
Mr. C. E. Overturf
~~Mr. R. O. Pfister~~
Mr. G. H. Thomson
Mr. R. G. Wilson
Mr. R. F. Roblin (Secretary)

H.B. McGOVERN (added Jan 2/76)

* * * * *

MARKETING

Mr. W. A. West
~~Mr. P. J. Levins~~ *DMA*
Mr. G. A. Fullerton
Mr. C. E. Langston

H.B. McGOVERN

LOGISTICS

Mr. V. Sirois
~~Mr. P. G. Hall~~ *W. J. Hough*
~~Mr. H. G. Jarvis~~ *R. H. T.*

NEW ENERGY
RESOURCES

Mr. G. W. Carter

PRODUCTION

Mr. G. L. Haight

COMPTROLLER'S

Mr. G. R. McLellan

TRANSPORTATION

Mr. G. K. Whynot *X*

PETROLEUM
PRODUCTS COORD.

Mr. D. M. Penrose *BOP.*

EMPLOYEE RELATIONS

Mr. R. A. Wilson
Mr. N. S. J. Bloomer

CORPORATE MANAGER

Mr. R. Horsfield

ARCTIC PIPELINE

Mr. J. C. Underhill

December 22, 1975.

MEMORANDUM FROM:
J.M. BEDARD

*Discuss
GAF*

Nov. 16/76

DEPARTMENT

Alberta
1976

*one of
are wells*

Mr. R. S. Grout:

Re attached:

- (1) Jerry Fullerton has a good point in trying to avoid too many contacts with one customer.
- (2) The MacKenzie Corridor Strategy Study should answer long-term implications of Norman Wells.

in a presentation
committee.

issues were discussed
the committee with
groups involved
(note Viewgraphs)
recently requested
section.

J.M.B.

/sb

Attach.

-GAFullerton's Nov. 4/76 memo to RSG re
vgs. used in presentation by Doug Baldwin
to Arctic Corporate Comm: TAGLU Liquids
Utilization/R.G. Wilson/Oct. 1976.

or not your committee
he added responses
Norman Wells, or should
all studies related
in the Northwest
as purposes of other

example, I note
looking to the power
fuel. I also have
that Northern Canada
groups. The obvious
sales, and who should
ourselves or any
endation is that we

have been dealing with Northern Canada Power for 25 or 30 years
and I believe that contacts to customers such as this should
coordinated from the Marketing group. Although our relations
with Gas Arctic is not of the same duration, nevertheless we
feel there should be one contact between a company such as the

MEMORANDUM

MARKETING DEPARTMENT



Edmonton, Alberta

November 4, 1976

SC
6000 1000 9000
in trying to do it
many contacts with one
customer
MacPine
Corridor studies
Should answer
long term
implications of
Norman Wells

R.S. Grout

Assistant General Manager - Wholesale

Attached are copies of the viewgraphs used in a presentation by Doug Baldwin to the Arctic Corporate Committee.

During the talks that ensued a number of issues were discussed. The major ones revolved around the role of the committee which you chair and its relationship to the other groups involved in various studies or activities in the North (note Viewgraph 4 - Roles and Responsibilities). I was subsequently requested by Roly Horsfield to write to you in this connection.

The key question that came up was whether or not your committee was strictly a communications group with the added responsibility for initiating some studies related to Norman Wells, or should your role also include the coordination of all studies related to the marketing of all types of products in the Northwest Territories to ensure they were not at cross purposes of other efforts.

From a purely marketing point of view, for example, I note that both Norman Wells and Gas Plant people are looking to the pipeline as an outlet for either condensate or heavy fuel. I also have noticed in reviewing some of the studies that Northern Canada Power are also being considered by both groups. The obvious question is who should be responsible for sales, and who should make contact with the potential customer -- ourselves or anybody who feels like it. My own personal recommendation is that we have been dealing with Northern Canada Power for 25 or 30 years *agree* and I believe that contacts to customers such as this should be coordinated from the Marketing group. Although our relationship with Gas Arctic is not of the same duration, nevertheless we feel there should be one contact between a company such as this and Imperial. ?

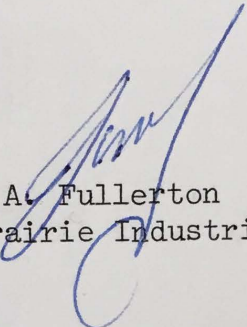
...continued...

R.S. Grout

- 2 -

November 4, 1976

I would appreciate your comments on the material in this letter and your view relating to the role of the committee prior to our next corporate committee meeting on December 17th.



G.A. Fullerton
Prairie Industrial Manager

GAF:rk
Attach.

INTRODUCTION

Most people present have some level of understanding regarding issues surrounding the use of the Taglu condensate which will be produced with the gas. (Currently estimated at 15 mscf/MMcf or 7000 bpd at 2000/1/1.)

But the issues are complex, involving several departments within Imperial, other companies operating in the north and government agencies.

TAGLU LIQUIDS UTILIZATION

Because of this complexity, progress in resolving the issues for Taglu Liquids utilization has been slow and dispersed amongst various groups with limited coordination.

R. G. WILSON

OCTOBER 1976

TAGLU LIQUIDS UTILIZATION

INTRODUCTION

- Most people present have some level of understanding regarding issues surrounding the utilization of the Taglu condensate which will be produced with the gas. (Currently estimated at 15 bbls./MMcf or 7500 BPD at 500MMcf/d.)
- But the issues are complex, involving several departments within Imperial, other companies operating in the north and government agencies.
- Because of this complexity, progress in resolving the plan for Taglu liquids utilization has been slow and dispersed amongst various groups with limited coordination.

TAGLU LIQUIDS UTILIZATION

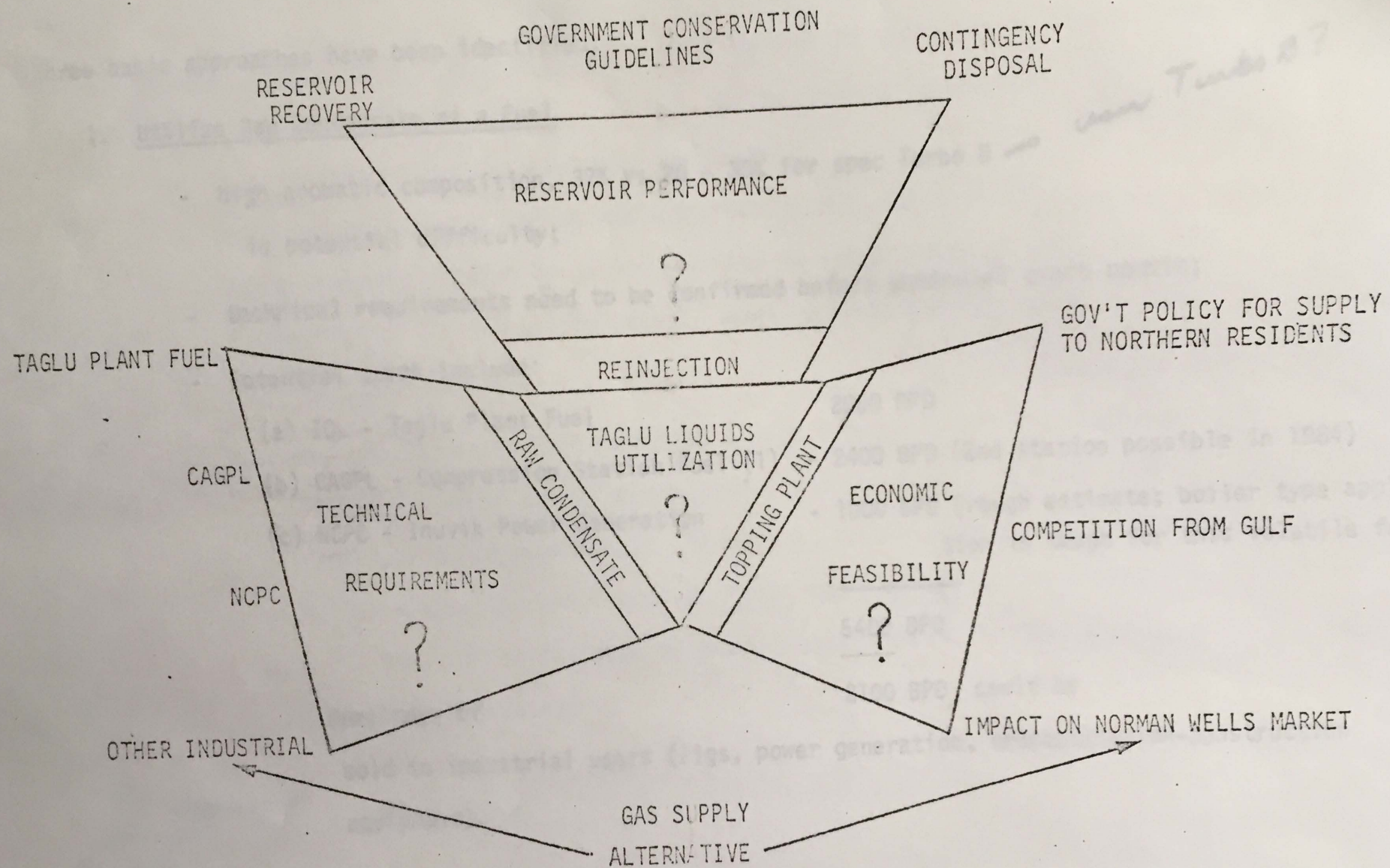
OUTLINE

- DESCRIBE ALTERNATIVES.
- REVIEW STATUS.
- DEFINE ROLES AND RESPONSIBILITIES.
- PROPOSE ACTION PLAN.

V.G. #1 OUTLINE

- This presentation will attempt to clarify the situation by:
 - (a) Describing the identified alternatives;
 - (b) Reviewing the current status;
 - (c) Defining the roles and expected contributions of various groups within Imperial;
 - (d) Proposing an ongoing action plan.

TAGLU LIQUIDS UTILIZATION ALTERNATIVES



Three basic approaches have been identified:

1. Utilize Raw Condensate as a Fuel

- high aromatic composition, 37% vs 20 - 30% for spec Turbo B — *can Turbo B?*
is potential difficulty;
- technical requirements need to be confirmed before potential users commit;
- Potential users include:

(a) IOL - Taglu Plant Fuel

2000 BPD

(b) CAGPL - Compression Station Fuel (1) - 2400 BPD (2nd station possible in 1984)

(c) NCPC - Inuvik Power Generation

- 1000 BPD (rough estimate; boiler type application is tough for this volatile fuel.)

5400 BPD

Remainder of

2100 BPD could be

sold to industrial users (rigs, power generation, transportation-construction equipment).

2. Processing condensate - Topping Plant - For removal of aromatics to obtain Turbo B and to convert to diesel.

- Main considerations are economics and market;
- Economics have always looked too unattractive for risk involved;
- Question whether market to absorb products is large enough to fully utilize supply (from IOL and Gulf plants). There is also a market conflict with Norman Wells product.
- However, the government has expressed a high interest level in providing benefits of cheaper energy to northern communities as a spin off from petroleum resource development. Therefore, this alternative which can supply normally marketed products such as diesel and Turbo B has considerable political appeal especially in the face of growing pessimism in the timing of an oil pipeline from the Beaufort.

3. Reinjection

- Is our contingency alternative;
- We don't really know what amount of reinjected condensate can ultimately be recovered from the reservoir (expect it to be very low).
- Could be concern expressed by government regarding conservation of energy supply but we have already said we will reinject only as a last resort.

TAGLU LIQUIDS UTILIZATION STATUS

1. RAW CONDENSATE UTILIZATION

- FLUOR DESIGNING FOR DUAL FUEL CAPABILITY.
- ERE STUDY ON FUEL UTILIZATION REQUIREMENTS INITIATED.
- INITIAL CAGPL DISCUSSIONS STARTED.
- CONSIDERED BEST ECONOMIC ALTERNATIVE.

2. TOPPING PLANT

- LOGISTICS 1974 STUDY REWORK COMPLETED. ECONOMICS CONSIDERED POOR VS. RISK AND MARKET POTENTIAL.

3. LIQUIDS REINJECTION

- RESERVOIR EVALUATION NEEDS TO BE INITIATED.

4. GOVERNMENT RELATIONS

- RESPONSE TO FOUR OUTSTANDING COMMUNICATIONS REQUIRED.

who are "four"

1. Raw condensate utilization

- Fluor currently designing Taglu for dual fuel capability (started in September for a design cost of \$350M but no significant impact on design schedule).
- ERE has been asked to do a fuels engineering study by end of year including
 - assessment of turbine equipment capability to burn condensate;
 - condensate facilities required at Taglu & CAGPL compression station (storage handling and P/L);
 - can condensate be used by aircraft? *MOT ice breakers?*
 - potential for electrical generation;
 - potential for steam generation (NCPC in Inuvik);
- and - potential for CAGSL use of Norman Wells naphtha and HFO as fuel for compressor stations. *beginning?*

- Initial discussions have been held with CAGPL operating staff and management (Art Wirth). Preliminary agreement in principle to use condensate at compressor stations provided ERE plus a CAGSL study confirms technical requirements. Sale of condensate would be on basis of BTU equivalent gas price less penalty for extra maintenance and operating costs over a ten-year term.

basis for gas price?

could get stung!

STATUS (continued)

- Preliminary economics (for 375 MMcf/d by John Allen) - Invest: IOL \$2-3 MM

Plant only >30% DCF P.V. at 15%=\$2MM

CPI = 2

Plant & CAGPL & NCPC >40% DCF P.V. at 15% = \$13MM

CPI = 10

for approximately 10 years.

2. Topping plant - reworked 1974 Logistics study.

- Sulfolane extraction unit required for on-spec diesel and Turbo B products (too complicated and untested process to operate in North?).
- Investment of \$81MM for 10.5 MBD plant (0.7 Bcf/d).
- Economics: for condensate valued at 75% of gas 0% to 16% R.R. ?
depending on product price (in 1982 from \$28/bbl. at Norman Wells to \$44/bbl. Edmonton plus bridging) back-up VG from report.
- Smaller plants slightly less economic due to scale.
- If Gulf build plant (3.8 MB/d) market only adequate to absorb in 1982 about 70% of Taglu 10.5 MB/d plant distillate output and Turbo output would not be absorbed at all. Therefore alternate Turbo market required since Turbo/Distillate ratio is 3/1.
- In summary marginal if not unacceptable economics for a substantial investment involving technical and market risks.

STATUS (continued)

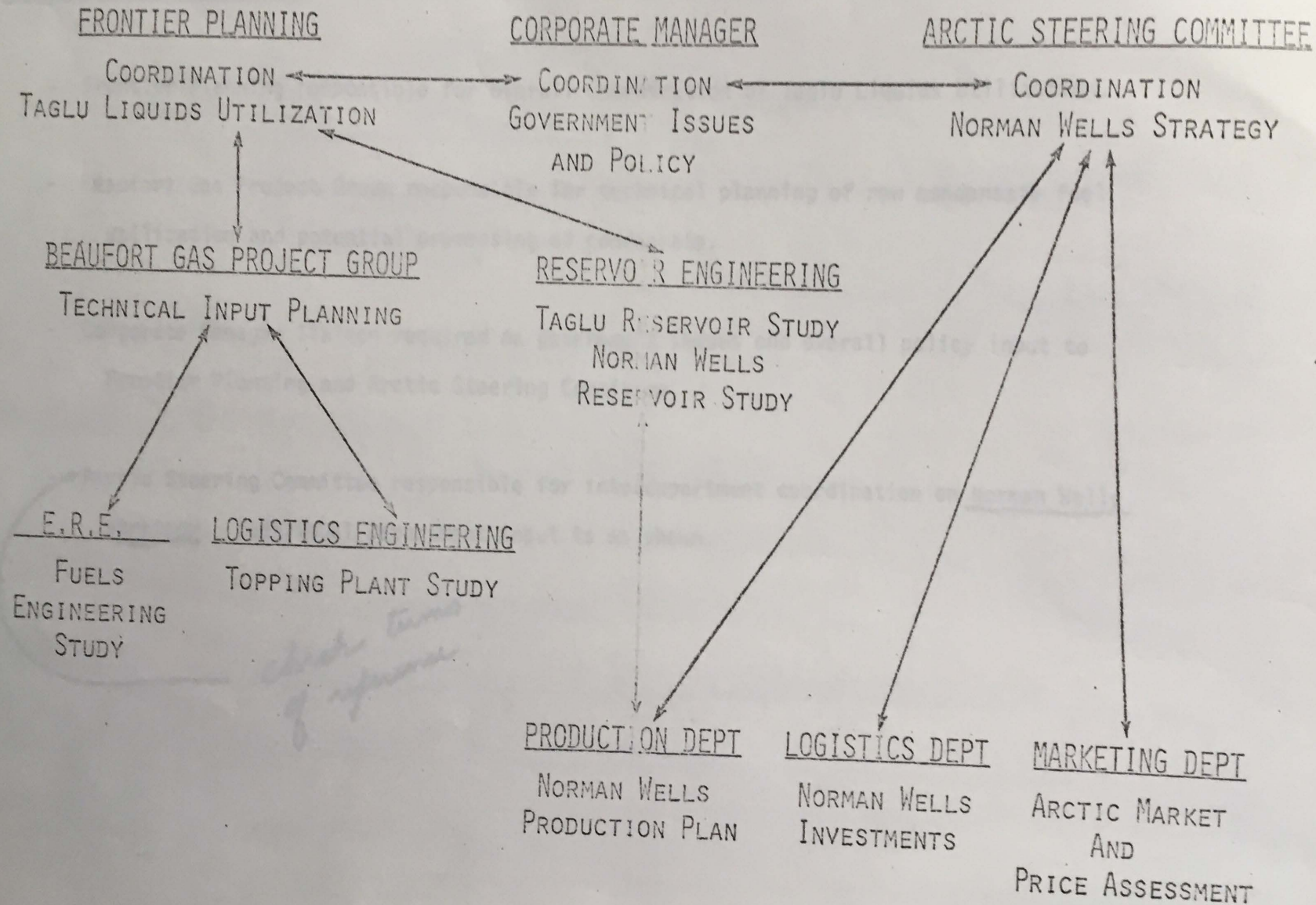
3. Liquids Reinjection

- Questions requiring reservoir evaluation
 - where to inject? number of wells?
 - migration of condensate?
 - expected recovery? gas or water breakthrough?

4. Government Relations

- Four outstanding communications need to be answered
 - DINA to Horsfield; request for information to assist in their consultant study (need to reply with updated Topping Plant Study and status of our plans for utilization of raw condensate).
 - DINA to Wilson; inquiring if Topping Plant can be built if aromatic product spec is relaxed so aromatic removal not required.
 - Tottrup to ^{Wilson}~~Horsfield~~; information on Norman Wells and Taglu supply potential for NCPC long range fuel requirements at Inuvik.
 - DINA to Wilson; requesting information on reinjection of condensate plans as part of Development Plan required under proposed Federal oil and gas regulations.

ROLES AND RESPONSIBILITIES



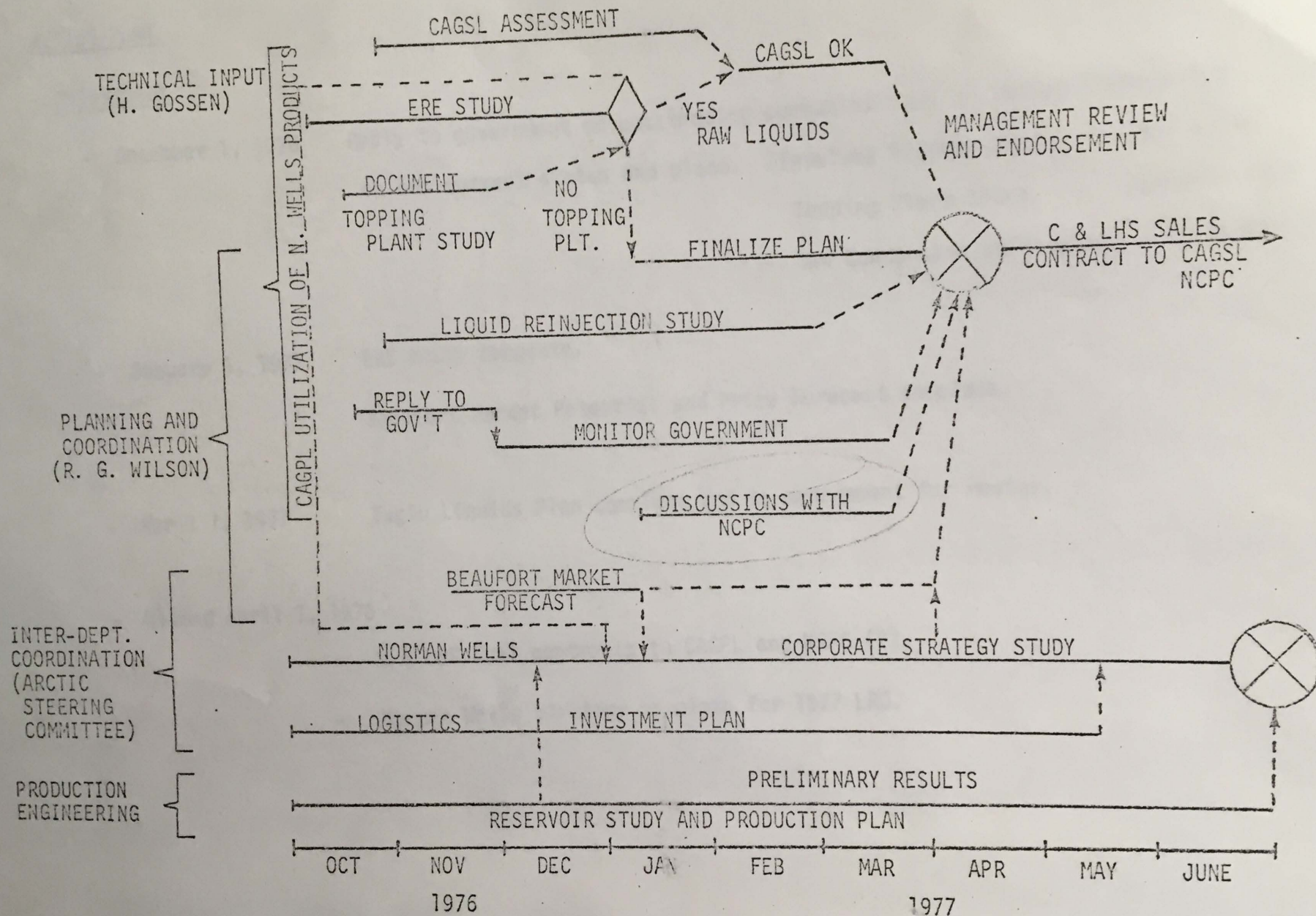
OF MEETING
Room 1711-C
Committee

ROLES and RESPONSIBILITIES

- Frontier Planning responsible for overall coordination of Taglu Liquids Utilization.
- Beaufort Gas Project Group responsible for technical planning of raw condensate fuel utilization and potential processing of condensate.
- Corporate Manager liaison required on government issues and overall policy input to Frontier Planning and Arctic Steering Committee.
- Arctic Steering Committee responsible for interdepartment coordination on Norman Wells strategy. Individual Department input is as shown.

*check terms
of reference*

TAGLU LIQUIDS UTILIZATION ACTION PLAN



ACTION PLANMilestones

- December 1, 1976 Reply to government on outstanding communications to supply information on our current status and plans. (Involves Propane Study - John Allen
Topping Plant Study - Logistic 1974 rework
Raw Condensate Utilization - H. Gossen)

- January 1, 1977 ERE study complete.

Beaufort Market Potential and Price Forecast complete.

- April 1, 1977 Taglu Liquids Plan complete and to management for review.

- Beyond April 1, 1976
 - C & LHS fuel contracts to CAGPL and NCPC (?).
 - Norman Wells strategy complete for 1977 LRO.

V.G. #5 ACTION PLAN

Milestones

- December 1, 1976 Reply to government on outstanding communications to supply information
 on our current status and plans. (Involves Propane Study - John Allen
 Topping Plant Study - Logistic 1974 rework
 Raw Condensate Utilization - H. Gossen)

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- Beyond April 1, 1976
 - C & LHS fuel contracts to CAGPL and NCPC (?).
 - Norman Wells strategy complete for 1977 LRO.

ATTENDED BY:

R.S. Groat

R.S. Vincent

MEETING ADJOURNED AT:

File

PROPRIETARY

LOCATION Central Office

DATE December 2, 1976.

MINUTES OF MEETING OF Arctic Review Committee

PLACE OF MEETING Room 1711-C

MEETING COMMENCED AT: 2:00 P.M.

MEETING ADJOURNED AT: _____

MEETING ATTENDED BY:

R.S. Grout
C.E. Overturf
B.T. Reilly
L.C. Sevick

R.S. Vincent
R. Horsfield
J.R. Murdoch
R.F. Roblin

CHAIRMAN: R.S. Grout

SECRETARY: R.F. Roblin

SUBJECT

MINUTES

The purpose of the meeting was to discuss the co-ordination of the following topics:

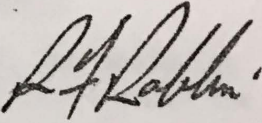
- MacKenzie Corridor Strategy Study
- Taglu Condensate Plant
- Norman Wells Refinery Strategy
- Possible purchase of products from Gulf's Parsons Lake Condensate Plant
- Natural Gas penetration
- Crude Topping Plant in the Delta.

Mr. J.R. Murdoch presented an overview of the MacKenzie Corridor Strategy Study which is comprised of a Sub-Committee and Co-ordinators from Marketing, Distribution and Logistics who are studying the supply and distribution of petroleum products for the pipeline construction requirements. The implications of the above meeting topics have a direct bearing on the supply and distribution strategy.

It was discussed that Gulf may install a crude topping plant at Parsons Lake to supply the pipeline construction requirements in the Delta as they have a low pour sweet crude field. Imperial's crude on Richards Island requires extensive gathering systems, a pipeline to Inuvik to reduce the difficult and expensive tankage on Richards Island. Production & Logistic Departments agreed that they would review the economics of an Imperial crude topping plant.

Marketing agreed to provide Production with the most recent assessment of acceptable end uses for products from a Taglu condensate plant which does not incorporate the sulfolane extraction process.

LOCATION Central OfficePAGE Page 2DATE December 2, 1976MINUTES OF MEETING OF Arctic Review Committee

SUBJECT	MINUTES
	<p>Messrs. R. Horsfield and B.T. Reilly discussed that there are 4 outstanding items with the Government that require response by Imperial. It was agreed that our response should be reviewed by the Arctic Review Committee before a submission is made to Government.</p> <p> R.F. ROBLIN Secretary</p> <p>c.c. Messrs. T.H. Thomson H.B. McGonigal G.L. Haight D.E. Speers G.W. Carter G.A. Fullerton - Edm. C.E. Langston - Ottawa R.O. Pfister V. Sirois W.K. Tanner - Edm. J.C. Underhill - Ottawa J.A. Stewart</p>

Committees

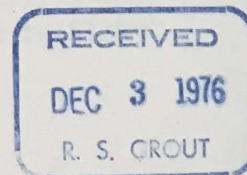
Copy to Mr. J. M. Bedard
Dec. 6/76

Mr. R.S. Grout: Believe this answers
your question re
Item III, F&O Minutes,
Oct. 26.

December 3, 1976

DMP.

Mr. R.O. Pfister
Petroleum Products Coordination

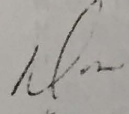


Strategic Profile - Arctic Segment

Further to your memo of November 22, the following are my comments with respect to the questions posed about the Arctic segment.

1. When the Arctic was identified as a segment it was noted that the Yukon should be part of the B.C. segment and that the Eastern and Western Arctic should probably be split into two parts, primarily because of the different supply sources for the business. Consequently, I would not recommend that you combine them as a segment.
2. I do not believe that it is necessary to have an individual in either Logistics or Marketing responsible for implementation of Arctic objectives any more than we have an individual who is responsible for any one of the segments. This responsibility comes together at the General Manager level in Marketing and Logistics. As a matter of interest, we do have a man charged with the responsibility of overseeing the Arctic sales activities (Bob Roblin) but I would not say that he has the responsibility for the business in these areas.
3. The benefit envisioned in establishing the Arctic segments was to understand our profitability from a sales and supply point of view to ensure that we were responding correctly to the business available to us in these areas. You will recall that the definition of a segment, to a large degree, envisioned a piece of business which could be divested without seriously affecting other parts of the operation. In general, I believe the Arctic segment fulfills this definition.
4. The benefits mentioned above may be realized through periodic reviews of our business in the Arctic and the amendment of various plans as it affects this business. As we develop a monitoring process I am sure we will want to segregate the Arctic for regular reporting purposes.

If you wish to discuss the above further I would be pleased to accommodate you.


D.M. PENROSE

DMP/kr

c.c. Mr. T.H. Thomson

ARCTIC CORPORATE COMMITTEE
Meeting of: _____
7th Floor Conference Room, 10L Bldg., Calgary

Date Dec. 3/76

MR. D. M. PENROSE

From: **R.S. GROUT**

M PLAN

Re. regionalization of the
Arctic, Item III.
Will the definition be the same
as we have been using in
Marketing?

Bob Roblin has been reviewing
Arctic profitability at
P.P.M.G.

R.S.G.

Att: Oct. 26/76 minutes of
F. & O. Review Group Minutes

1978

Forecast earnings for 1978 were down from
prediction of \$135MM. Lower volumes, and
discounting were only partially offset by

III. REGIONALIZATION OF THE ARCTIC

Mr. K.M. Proudfoot briefly reviewed the proposed
Marketing and Logistics agreed to meet with
and PPFC on November 8 to discuss the region.

overview of the 1977/78 Near
\$95MM in 1977 and to \$129MM
low:

ge Outlook level of \$118MM.

forecast volumes decrease
forecast occurred on the Prairie
offset by increased

ditional \$5MM beyond the

\$2MM from the Long Range
only partially offset by

to Consumer's Power lower

from the Long Range Outlook
receivables due to delay

from the Long Range Outlo
factors, and increased
increased inventory profit

posed definition of the Arc
definition and meet with

Meeting adjourned.

November 4, 1976

K. Proudfoot
K.M. PROUDFOOT
Secretary

A. Mihaly

II. PRELIMINARY OVERVIEW OF THE NEAR TERM PLAN

Mr. K.M. Proudfoot reviewed the preliminary overview of the 1977/78 Near Term Plan. Earnings are forecast to rise to \$95MM in 1977 and to \$129MM in 1978. Highlights of the presentation follow:

1977

- Earnings are down \$23MM from the Long Range Outlook level of \$118MM.
- A 2.3MMB decline in the Long Range Outlook forecast volumes decreased earnings by \$15MM. The change in the forecast occurred on the Prairies, in Industrial overheads, and was partially offset by increased mogas exports.
- Discounting is expected to increase an additional \$5MM beyond the Long Range Outlook level.
- Inventory profits are forecast to be down \$2MM from the Long Range Outlook as the decrease in domestic crude price is only partially offset by increased inventories.
- A forecast reduction in the volumes going to Consumer's Power lowers earnings by \$4MM.
- Average capital employed was increased from the Long Range Outlook as a result of increased inventories and higher receivables due to delays in transferring agents' credits to the banks.

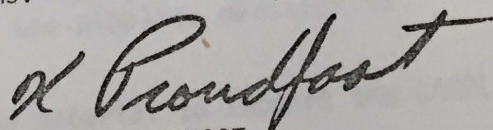
1978

- Forecast earnings for 1978 were down \$6MM from the Long Range Outlook prediction of \$135MM. Lower volumes, mix factors, and increased discounting were only partially offset by increased inventory profits.

III. REGIONALIZATION OF THE ARCTIC

Mr. K.M. Proudfoot briefly reviewed the proposed definition of the Arctic. Marketing and Logistics agreed to review the definition and meet with PPC and PPFC on November 8 to discuss any problems.

Meeting adjourned.


K.M. PROUDFOOT
Secretary

November 4, 1976

Attendees: R.O. Pfister
T.T. Thompson
G.S. Boone
J.W. Carson

A. Mihaly
M.O. Thorner
M. Walsh
P.T. Hutchinson
J.N. Hagan
J.B. MacIntyre

Location: Calgary, Alberta

Date: December 17, 1976

Minutes of Meeting of:

ARCTIC CORPORATE COMMITTEE

Place of Meeting:

7th Floor Conference Room, IOL Bldg., Calgary

Meeting commenced at: 8:30 a.m.

Meeting Adjourned at: _____

Meeting Attended by: Members

N.S.J. Bloomer
G. A. Fullerton
R. A. Wilkinson
R. E. Baumbach
G. R. MacDonald

Guests

D. D. Lougheed
Bob Hill
J. R. Murdoch
K. C. Johnson

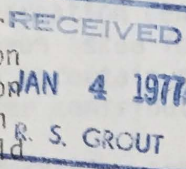
G. A. FULLERTON

DEC 28 1976

Absent

A. B. Lorentz
D. D. Baldwin

PROPRIETARY



→ R.S. GROUT
122876

Chairman: R. Horsfield

Secretary: Mrs. M. D. Moir

Subject	Minutes												
Mackenzie Valley Product Supply	Mr. J. R. Murdoch and Bob Hill of Toronto Marketing reviewed the company's Mackenzie Corridor Strategy Study based on the supply of fuel to the CAGPL pipeline during construction. Copies of pertinent Vu-graphs are attached (confidential; to Committee members only). Mr. Hill outlined the scope of CAGPL construction fuels costs in the N.W.T. and the inherent opportunity for Imperial. The fuels part is 25% of the logistic problem in building the pipeline. CAGPL is encouraging us to become involved and a Task Force has been formed to assess the project by February 1.												
Company Objectives and Activities	Mr. Horsfield reviewed his draft of corporate objectives and activities relative to external and internal communications and Corporate Committees. The draft program was discussed in detail and various revisions were agreed to. The meeting schedule for 1977 is as follows: <table><tr><td>February 23</td><td>Inuvik</td></tr><tr><td>April 27</td><td>Edmonton</td></tr><tr><td>June 29</td><td>Calgary</td></tr><tr><td>August 31</td><td>Edmonton</td></tr><tr><td>October 26</td><td>Yellowknife</td></tr><tr><td>December 21</td><td>Edmonton</td></tr></table>	February 23	Inuvik	April 27	Edmonton	June 29	Calgary	August 31	Edmonton	October 26	Yellowknife	December 21	Edmonton
February 23	Inuvik												
April 27	Edmonton												
June 29	Calgary												
August 31	Edmonton												
October 26	Yellowknife												
December 21	Edmonton												
Comments by D. D. Lougheed	Mr. Lougheed informed the Committee that pressures on Government opposing the granting of the CAGPL permit were growing and that while CAGPL was obviously better than Foothills economically, there were other than economic forces involved. He indicated the range of options open to Imperial in the Mackenzie Delta if the pipeline decision is deferred. Mr. Horsfield distributed some back-up material to support the CAGPL permit application.												

Minutes of meeting of: ARCTIC CORPORATE COMMITTEE

Date: December 17, 1976

Page: 2

Subject

Minutes

Other
Business

Donations

1. Yellowknife Recreation Centre is trying to raise \$13 millions. Imperial has been asked for \$50,000 over a period of three years. In view of the uncertain status of northern development, it was decided to defer contributing.
2. Tuktoyaktuk Sportsplex are soliciting Imperial for \$40,000. It was decided to defer contributing to this project as well.
3. In Inuvik COPE is experiencing difficulty in building their Friendship Centre. It was decided to wait for the government assessment on the effectiveness of Friendship Centres before making a decision on this.

Arctic Summer School

Mr. Horsfield commented that the annual Arctic Summer School was doing a fine job. He advised that a block reservation would be made for Imperial people and that our candidates would submit their own applications as in previous years.

Native Claims

Mr. Horsfield reported on his presentation to the External Priorities Committee on the matter of native claims in the Territories. A copy of the Topic Summary is attached. Mr. Horsfield and Mr. Underhill will meet with Mr. E. Cotterill in Ottawa on January 5, 1977 to pursue the approved recommendations.

Norman Wells

Mr. Bloomer advised that the company will now require that all employees and their spouses going to Norman Wells be medically examined as there is no doctor there. We are considering use of a medical officer at Yellowknife.

Mr. Bloomer also commented on Dr. Hobart's report for Polar Gas on the Norman Wells community. The Logistics Department is concerned about some relatively minor features of the draft. Mr. Bloomer will seek to have some changes made in the final report before it is made public.

Advertising

Mr. G. R. MacDonald outlined by Vu-graphs and TV tapes the Corporate communications objectives, strategies and advertising.

Minutes of meeting of: ARCTIC CORPORATE COMMITTEE

Date: December 17, 1976

Page: 3

Subject

Minutes

Contingency Plan

The possibility of "native sit-ins" at our facilities in the North is still considered to be serious in view of the pipeline situation.

Mr. K. C. Johnson reminded the group that the prime objective of our contingency plan was the protection of people first followed by the protection of facilities, minimum disruption of company activities and avoidance of bad publicity. The aim is to tailor a contingency plan for each individual location. A draft outline of a contingency plan was distributed to Committee members for consideration.

Next Meeting

The next meeting of the Arctic Corporate Committee will be held in Inuvik on February 23. Don Loughheed will attend. A visit will be made to Yellowknife en route on February 22.

Adjournment

The meeting adjourned at 4:00 p.m.

Distribution:

Arctic Corporate Committee
Corporate Managers

Messrs W. Zukowsky
D. K. McIvor
P. Stauff
J. A. Armstrong
D. H. MacAllan
R. E. Landry
D. D. Loughheed
T. H. Thomson
G. A. Rogers
G. L. Haight
R. A. Wilson
J. G. Livingstone
A. Phelps Bell
Mrs. Edna Scott

IMPERIAL OIL LIMITED

LAW DEPARTMENT

J. F. BARRETT, Q.C.
*Vice President
and General Counsel*

G. A. ROGERS
Assistant General Counsel

H. G. BATT, Q.C.
Associate General Counsel

J. G. MACDONELL

J. M. KOSHAN

G. A. HOWSE

J. M. MACDONALD

B. E. BROPHY

M. G. DUNKO

A. B. WAUGH

Solicitors

TELEPHONE (416) 924-9111
TELEX 02-2086

111 ST. CLAIR AVENUE WEST
TORONTO, CANADA
M5W 1K3



Mr. S. MacMillan,
Legal Advisor,
Transport Canada,
Tower "A", 4th Floor,
Place de Ville,
320 Queen Street,
Ottawa, Ontario

December 22, 1976

Dear Sir,

Re: Tender for the Right and Privilege to Maintain
and Operate the Fuel Storage and Pipeline
Distribution Facilities, Resolute Bay, N.W.T.

Please be advised that Imperial Oil Limited has received a letter dated December 7, 1976 written on the letterhead of Transport Canada by the Airports and Properties Branch, P.O. Box 8550, Winnipeg, Manitoba, R3C 0P6, and signed by Mr. Valkovic, Manager, High Arctic Airports, which letter purports to be clarification of certain items raised during a Briefing Meeting held on November 17, 1976 at the Library, Resolute Bay, N.W.T.

In Item 6 contained on Pages 2 and 3 of the letter of December 7, 1976, the following was stated:

"It was also clarified that the Department had given a license to Imperial Oil Limited to use the pipeline system in common with others. It was clearly emphasized that the license did not include any tankage, dispensing equipment and the sea lines - - - ."

Imperial Oil Limited takes issue with this restrictive interpretation of the rights granted to us under the License Agreement dated November 20, 1973, No. 97138. The license gives Imperial Oil Limited permission to connect Imperial Oil Limited's petroleum, oil and lubricating (POL) storage facilities to the pipeline distribution system of Her Majesty The Queen at Resolute Airport

Mr. S. MacMillan

December 22, 1976

and to use the said pipeline facilities in common with others. In the license itself there is no exact description of the pipeline distribution system. However, it is our view that in order to have a distribution system it is necessarily incidental thereto to have a means of getting product into the system from the supply source, i.e. the sea hoses, and a means of getting product out of the system at the place where it is required, i.e. the dispensing cabinets and the fuelling ramps and ancillary equipment thereto. This interpretation is further strengthened by the provisions of Lease No. 93195 between Her Majesty The Queen and Imperial Oil Limited dated June 1, 1972, which grants to Imperial Oil Limited the right and privilege to maintain, operate and use the Lessor's fuel storage and pipeline distribution system at Resolute, N.W.T., and more particularly described in Appendix "A" attached thereto. Appendix "A" is a description of the facilities in fact leased and it includes both fuel storage and pipeline distribution system. If one were to delete from Appendix "A" Clause 2 - tanks and related facilities, being the only portion that relates to fuel storage - one would be left with a description of the pipeline distribution system. We would point out that Clause 1(c) deals with sea hoses and Clause 4 deals with all the ramp dispensing facilities. For these reasons, it is our view that the license granted to Imperial Oil Limited by Her Majesty The Queen to use the pipeline distribution system in common with others includes the sea lines and the dispensing equipment.

Our interpretation is further solidified by the fact that your letter of December 7, 1976 provides in Item 10 as follows:

"It is further clarified that the sea hoses will form part of the said pipeline system - - - ."

Item 10 of your letter contains the following statement:

"It is understood however that if the sea hoses are used in common with others, the successful tenderer will have priority use of the hoses as directed by the Administrator. While the successful tenderer will not levy a charge for the common use of the sea hoses, he will be allowed to recover his operating and maintenance costs associated with the hoses, on a pro-rata basis, as determined by the successful tenderer."

Since it is our view that the sea hoses are part of the pipeline distribution system, we have great difficulty in accepting the fact that the successful tenderer will have any priority over Imperial Oil Limited in the use of the facilities in which we have a license right to use in common with others.

We further have great difficulty in accepting your statement that the successful tenderer will be allowed to recover the operating and maintenance costs associated with the use of the hoses by Imperial Oil Limited, on a pro-rata basis, as determined

Mr. S. MacMillan

December 22, 1976

by him. We would point out to you that Imperial Oil Limited pays a license fee under the License Agreement to Her Majesty The Queen for the right to use those facilities and it is our view that no additional fee, or charge of any nature, is payable by Imperial Oil Limited to any other person.

Item 21 raises the question of Imperial Oil Limited being charged operating and maintenance costs for maintaining the common use pipeline. The response is as follows:

"The successful tender will be responsible for maintaining the pipeline systems, however, if Imperial Oil dispenses product through the pipeline system, the O&M Costs would be pro-rated, by the successful tenders."

Because Imperial Oil Limited has a license with Her Majesty The Queen for which Imperial Oil Limited pays a license fee to Her Majesty The Queen, it is our view that Imperial Oil Limited has no liability to pay any O&M Costs to the successful tenderer when we dispense product through the pipeline system.

In telephone conversations which I have had with you I have asked why the current year's sales figures were not included in the tender data and why they were not referred to in the letter of December 7, 1976 when in fact they were in the possession of Transport Canada prior to the calling of tenders, and the nine months actual sales volumes were stated by an Imperial Oil Limited representative at the Briefing Meeting. You raised a question as to Imperial Oil Limited's motives in stating these figures and in order to eradicate any implication of bad faith by Imperial Oil Limited, we wish to make it quite clear that our eight month's figures were included in the throughput figures that Mr. P. Ridell requested from Mr. A. J. McMillan of Imperial Oil Limited as of October 20, 1976 in advance of the tender being called. These figures were confirmed in a letter to Mr. P. Ridell dated October 20, 1976, a copy of which is attached.

Mr. Roblin's statements as to the sales volumes for the first nine months of 1976 were made for the sole purpose of advising those present of the complete facts on sales volumes and it was only incidental to this purpose that the actual sales volumes for the first nine months of 1976 were a reduction of approximately 50% of the sales volumes of the total previous year. Mr. Roblin, in an attempt to give full and complete disclosure, gave an estimate of what, in his judgment, would be the sales volume figures for the complete twelve month period of 1976, and his figure was approximately 5 to 5.1 million gallons.

Please be advised that it is not Imperial Oil Limited's business philosophy to resort to legal letters in tendering situations. However, we felt compelled in this instance to dispatch this letter to yourselves, and to all the people whom you have advised us have received your letter of December 7, 1976, because, in our view, you

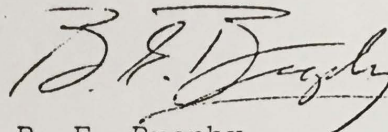
... /4

Mr. S. MacMillan

December 22, 1976

have improperly stated our legal rights pursuant to the License Agreement and you have failed to disclose the most recent sales volumes in the tender call, and we felt it necessary to go on record and to place our objection in writing to all parties who might be interested, or who might be led into a course of action as a result of your representations.

Yours very truly,
IMPERIAL OIL LIMITED


B. E. Brophy

BEB/as
Encl.

c.c.: Messrs. R. J. Benson
R. W. Hodgson
M. Kandert
C. Kasdorf
J. Mathieu
H. McLeod
Packer
J. Tallon
J. Valkovic

b.c.c.: Messrs. L. G. Ahrens
J. M. Bedard
A. P. Bell
G. A. Fullerton - Edmonton
R. S. Grout
C. E. Langston - Ottawa
J. A. Lefebvre - Montreal
A. J. McMillan - Edmonton
R. F. Roblin
J. A. Stewart

RECEIVED

NOV 9 1976

October 20, 1976

Transport Canada,
Assiniboine Credit Union Bldg.,
York & Garry,
P.O. Box 8550,
WINNIPEG, Manitoba.
R3C 0P6

ATTENTION: Mr. P. Ridell
Marketing & Services

Dear Pat,

This is a confirmation of the Resolute thruput figures
that I telephoned to you at Resolute today.

Yours very truly,

A.J. McMillan
Manager
Aviation - West

AJM/rh
Encl.

RESOLUTE DAY THROUGHPUT
FIGURES OCT. '72 - AUG. '76

1972 OCT.-DEC.

DIESEL	797,817
STOVE	129,724
TURBO	1,529,447
ESSO	16,975
AV 100/ 130	136,136

<u>TOTAL</u>	2,610,099
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1973 JAN.-DEC.

DIESEL	4,507,364
STOVE	435,357
TURBO	4,768,596
ESSO	166,375
AV 100/ 130	392,724

<u>TOTAL</u>	10,270,416
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1974 JAN.-DEC.

DIESEL	3,660,278
STOVE	314,175
TURBO	4,795,860
ESSO	245,698
AV 100/ 130	618,947

<u>TOTAL</u>	9,634,958
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1975 JAN.-DEC.

DIESEL	2,441,108
STOVE	902,502
TURBO	5,373,834
ESSO	213,957
AV 100/ 130	483,082

<u>TOTAL</u>	9,414,483
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1976 JAN.-AUG.

DIESEL	1,363,044
STOVE	422,438
TURBO	1,422,359
ESSO	151,032
AV 100/ 130	316,231

<u>TOTAL</u>	3,675,104
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